Riaz Ahmad & Company
Chartered Accountants

Pakistan Software Export Board (Guarantee) Limited

Financial Statements For The Year Ended 30 June 2017

A member of Nexia International

Riaz Ahmad & Company
Chartered Accountants

2-A, ATS Centre, 30-West
Fazal-ul-Haq Road, Blue Area
Islamabad, Pakistan
T: +92 (51) 227 41 21 - 2
F: +92 (51) 227 88 59
racoisd@racopk.com
www.racopk.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED** as at 30 June 2017 and the related income and expenditure account, statement of comprehensive income, cash flow statement and statement of changes in fund together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;

(b) in our opinion:

i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in Note 2.1 to the financial statements with which we concur;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, statement of comprehensive income, cash flow statement and statement of changes in fund together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the surplus, its comprehensive income, its cash flows and changes in fund for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended 30 June 2016 were audited by another firm of chartered accountants whose report dated 11 January 2017 expressed an unmodified opinion on those statements.

Riaz Ahmad & Co.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Raheel Arshad

Date: 16 MAY 2018

ISLAMABAD

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED

BALANCE SHEET

AS AT 30 JUNE 2017

	NOTE	2017 Rupees	Restated 2016 Rupees	Restated 2015 Rupees
FUND AND LIABILITIES				
FUND				
General fund		122,209,404	98,560,363	72,000,848
NON-CURRENT LIABILITIES				
Staff benefits	3	40,741,761	32,738,146	25,444,052
Deferred grants related to projects	4	718,660,110	687,055,255	670,076,959
Deferred grants	5	374,921,519	392,447,905	410,323,695
Deferred taxation	11	-	1,152,477	154,337
		1,134,323,390	1,113,393,783	1,105,999,043
CURRENT LIABILITIES				
Trade and other payables	6	20,749,929	20,245,077	26,591,475
Liabilities relating to PSDP and other projects		-	-	162,700
Provision for taxation	7	1,643,808	-	-
		22,393,737	20,245,077	26,754,175
Total Liabilities		1,156,717,127	1,133,638,860	1,132,753,218
CONTINGENCIES AND COMMITMENTS	8		-	-
TOTAL EQUITY AND LIABILITIES		1,278,926,531	1,232,199,223	1,204,754,066

	NOTE	2017 Rupees	Restated 2016 Rupees	Restated 2015 Rupees
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	9	386,201,620	403,390,800	419,458,226
Assets relating to PSDP and other projects' restricted funds	10	670,958,415	671,486,060	670,061,493
Long term security deposits		1,492,665	1,492,665	1,477,665
Deferred taxation	11	4,759,443	-	-
		1,063,412,143	1,076,369,525	1,090,997,384
CURRENT ASSETS				
Trade debts - considered good	12	7,409,237	8,077,687	6,244,332
Advances	13	14,638,963	12,615,779	8,561,224
Short term prepayments		735,015	855,596	360,373
Other receivables		279,149	644,259	455,399
Assets relating to PSDP and other projects' restricted funds	14	47,701,695	15,569,196	178,166
Short term investment	15	25,578,157	25,000,000	-
Advance income tax - net	7	-	2,110,780	1,780,359
Cash and bank balances	16	119,172,172	90,956,401	96,176,829
		215,514,388	155,829,698	113,756,682
TOTAL ASSETS		1,278,926,531	1,232,199,223	1,204,754,066

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 Rupees	Restated 2016 Rupees
INCOME			
Deferred grants related to projects amortized during the yea	4	92,193,417	18,493,653
Federal Government grant	5	86,745,622	88,244,396
Amortization of deferred grant - in kind	5	17,318,764	17,681,685
Revenue from bandwidth and related services	17	51,709,696	50,785,716
Registration and renewal fee	18	23,735,600	20,776,000
Other income	19	7,943,594	11,855,921
		279,646,693	207,837,371
EXPENDITURE			
Project cost - deferred grants	4	92,193,417	18,493,653
Salaries, allowances and benefits	20	80,490,717	74,464,391
Data node bandwidth and related charges		20,675,128	20,594,020
Travelling and conveyance		972,302	877,553
Advertisement and publicity		643,681	529,852
Communication charges		2,545,477	2,629,084
Utilities		4,360,332	4,696,021
Rent, rates and taxes		10,267,854	9,359,686
Vehicle running expenses		469,773	516,377
Fee and subscription		312,405	313,955
Printing and stationary		652,204	569,768
Newspaper and periodicals		42,062	51,986
Exhibitions and seminars		14,991,139	15,586,268
Repair and maintenance		2,298,012	2,623,785
Foreign and inland training		153,300	4,144,697
Auditors' remuneration		172,500	172,500
Legal and professional charges		492,152	419,515
Entertainment		746,179	803,976
Bad debts written off		181,525	124,627
Depreciation	9.1	1,860,825	1,675,905
Depreciation of assets related to deferred grant - in kind	9.1	17,318,764	17,681,685
Exchange loss		10,445	-
Bank charges		66,258	42,663
		251,916,451	176,371,967
SURPLUS BEFORE TAXATION		27,730,242	31,465,404
Taxation	21	2,715,696	3,862,058
SURPLUS AFTER TAXATION		25,014,546	27,603,346

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	2017 Rupees	Restated 2016 Rupees
SURPLUS AFTER TAXATION	25,014,546	27,603,346
OTHER COMPREHENSIVE INCOME		
Items that will not to be reclassified to income and expenditure		
Remeasurement of defined benefit plan	(1,950,722)	(1,535,045)
Related deferred income tax	585,217	491,214
	(1,365,505)	(1,043,831)
Items that may be reclassified subsequently to income and expenditure	-	-
Other comprehensive loss for the year - net of tax	(1,365,505)	(1,043,831)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	23,649,041	26,559,515

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED

STATEMENT OF CHANGES IN FUND

FOR THE YEAR ENDED 30 JUNE 2017

	General fund	PSDP and other projects' restricted funds	Total
		Rupees	
Balance as at 30 June 2015	72,000,848	670,076,959	742,077,807
Effect of retrospective change in accounting policy (Note 2.1)	-	(670,076,959)	(670,076,959)
Balance as at 30 June 2015 (Restated)	72,000,848	-	72,000,848
Surplus for the year ended 30 June 2016	27,603,346	-	27,603,346
Other comprehensive loss for the year ended 30 June 2016	(1,043,831)	-	(1,043,831)
	26,559,515	-	26,559,515
Balance as at 30 June 2016 (Restated)	98,560,363	-	98,560,363
Surplus for the year ended 30 June 2017	25,014,546	-	25,014,546
Other comprehensive loss for the year ended 30 June 2017	(1,365,505)	-	(1,365,505)
	23,649,041	-	23,649,041
Balance as at 30 June 2017	122,209,404	-	122,209,404

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

	2017 Rupees	Restated 2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before taxation	27,730,242	31,465,404
Adjustment for non-cash items		
Deferred grants related to projects amortized during the year	(92,193,417)	(18,493,653)
Amortization of deferred capital grant	(207,622)	(244,396)
Amortization of deferred grant - in kind	(17,318,764)	(17,681,685)
Profit on bank deposits	(4,971,642)	(4,329,069)
Depreciation	1,860,825	1,675,905
Depreciation of assets related to deferred grant - in kind	17,318,764	17,681,685
Depreciation related to restricted grant	11,259,414	8,430,067
Bad debts written off	181,525	124,627
Exchange loss	10,445	-
Provision for medical facility	2,747,665	2,355,708
Provision for gratuity	5,290,855	4,517,068
Provision for employees' earned leaves	1,185,257	1,328,017
	(74,836,695)	(4,635,726)
Cash used before changes in working capital	(47,106,453)	26,829,678
Changes in working capital		
Decrease / (increase) in current assets		
Trade receivables	476,480	(1,957,982)
Advances	(2,023,184)	(4,054,555)
Short term prepayments	120,581	(495,223)
Other receivables	272,396	(188,860)
Assets relating to PSDP and other projects' restricted funds	(32,132,499)	(15,391,030)
Increase / (decrease) in current liabilities		
Trade and other payables	504,852	(6,346,398)
Liabilities relating to PSDP and other projects	-	(162,700)
	(32,781,374)	(28,596,748)
Cash used in operations	(79,887,827)	(1,767,070)
Profit on bank deposits received	5,064,356	4,329,069
Income tax paid	(4,287,811)	(2,703,125)
Medical facility paid	(2,377,719)	(1,908,353)
Employees' earned leaves paid	(534,748)	(270,391)
Gratuity paid	(258,417)	(263,000)
	(2,394,339)	(815,800)
Net cash generated from operating activities	(82,282,166)	(2,582,870)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(1,990,409)	(3,290,164)
Additions in assets relating to restricted grants	(10,731,769)	(9,854,634)
Short term investment made	(578,157)	(25,000,000)
Long term security deposits	-	(15,000)
Net cash used in investing activities	(13,300,335)	(38,159,798)
	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted grant received	141,343,410	38,257,400
Restricted grant lapsed	(17,545,138)	(2,735,160)
Net cash from financing activities	123,798,272	35,522,240
Net increase / (decrease) in cash and cash equivalents	28,215,771	(5,220,428)
Cash and cash equivalents at beginning of the year	90,956,401	96,176,829
Cash and cash equivalents at end of the year	119,172,172	90,956,401

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PAKISTAN SOFTWARE EXPORT BOARD (GUARANTEE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. THE COMPANY AND ITS OPERATIONS

Pakistan Software Export Board (Guarantee) Limited ("the Company") was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (Now the Companies Act, 2017) on 13 June 1998 as Company limited by guarantee not having share capital to carry on business activities previously performed by the Pakistan Software Export Board more independently, effectively and dynamically. The registered office of the Company is situated at 2nd Floor, Evacuee Trust Complex, Sector F-5/1, Islamabad. The Company is fully owned and controlled by the Federal Government through Ministry of Information Technology.

The principal objective of the Company is to make Pakistan a preferred destination for the business process outsourcing, placing Pakistan as a key player in the global information technology market, creating an environment that is conductive for IT business in the country and develop and strengthen domestic IT industry through various support programs and projects to deliver higher value added services and enhance IT and IT enabled services (ITeS) export from Pakistan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of Accounting Standard for Not-for-Profit Organizations (NPOs) (hereinafter referred to as "the Standard") issued by the Institute of Chartered Accountants of Pakistan (ICAP), such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that the companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Company's operations and has also enhanced the definition of related parties.

The Company has adapted the Standard mentioned above during the current year ended 30 June 2017. Impact of the change in the basis of preparation is treated as change in accounting policy in accordance with IAS-8 "Changes in accounting policies, estimates and fundamental errors" and impact of the change has been applied retrospectively by restating the opening balances of comparative period and the balances of comparative period presented.

The Change in financial reporting framework are as follows:

Externally restricted grants are classified as non-current liabilities and included in income to match the expenditure relating to the grant. Previously they formed part of fund balance.

The impact of the above changes are as follows:

	2017	2016	2015
		Rupees in thousand	
Decrease in PSDP and other projects' restricted funds	(31,604,855)	(16,978,296)	(670,076,959)
Increase in non-current liabilities	31,604,855	16,978,296	670,076,959
Increase in revenue for the year	92,193,417	18,493,653	9,173,247
Increase in expenditure for the year	92,193,417	18,493,653	9,173,247

b) Accounting convention

These financial statements have been prepared under the historical cost convention, except for certain financial instruments which are carried at their fair values.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values, useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property and equipment with a corresponding effect on the depreciation charge and impairment.

Defined benefit plan

The cost of the defined benefit plan i.e. gratuity is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provisions for doubtful debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

d) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

The following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2016:

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by using of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2017 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for Construction of Real Estate', IFRIC 18 'Transfer of Assets from Customers' and SIC 31' Revenue-Barter Transactions Involving Advertising Services. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Company's financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have significant impact on Company's financial statements.

On 8 December 2016, IASB issued Annual Improvements to IFRSs: 2014 – 2016 Cycle, incorporating amendments to three IFRSs more specifically in IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures'. These amendments are effective for annual periods beginning on or after 01 January 2017 and 01 January 2018 respectively. These amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

g) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2017 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

Raw.

2.2 Employee benefits

Medical facility

Employees are entitled to medical facility allowance as determined in accordance with service regulations of the Company. During the year employees can get their actual medical expenses reimbursed and remaining balance of unused entitlement, if any, is forwarded to succeeding years which employees can get reimbursed in succeeding years or can encash on termination / resignation from the service.

Gratuity scheme

The Company operates an unfunded and unapproved gratuity scheme for its employees. Provision for gratuity is made annually to cover obligation under the scheme on the basis of forty five days basic pay for each respective completed year of service.

Employees' earned leaves

The Company accounts for the liability in respect of employees' earned leaves in the year in which these are earned. Provision to cover the obligation is made using the current salary level of employees.

2.3 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income and expenditure account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.4 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.5 Property and equipment

Owned

Property and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection/construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition. Capital work-in-progress is stated at cost less any recognised impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income and expenditure account during the period in which they are incurred.

Depreciation

Depreciation on property and equipment is charged to income and expenditure account applying the reducing balance method so as to write off the cost / depreciable amount of the asset over their estimated useful lives at the rates given in Note 9. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off. The residual values and useful lives of assets are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income and expenditure account in the year the asset is derecognised.

2.6 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts. Known bad debts are written off, when identified.

2.7 Trade and other payables

Liabilities for trade and other amounts payable are initially recognised at fair value, which is normally the transaction cost.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.9 Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the associated cost incurred or to be incurred can be measured reliably, on the following basis

a) Revenue from bandwidth and related service is recognized on the basis of billing to the customers.

b) Annual registration and renewal fee is recognized on cash basis.

c) Return on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and the applicable rate of return.

2.10 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the income and expenditure account.

2.11 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "investment at fair value through profit or loss" which is initially measured at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments.

Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in income and expenditure account when the investments are de-recognized or impaired, as well as through the amortization process.

2.12 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, advances, accrued interest, other receivables, cash and bank balances and trade and other payables etc. Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which are initially measured at fair value.

Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and derecognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in income and expenditure account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

2.13 Government Grants

Government grants are recognized when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

Grants related to income

Grants related to income including PSDP and other projects' restricted grants are recognized on a systematic basis as income over the periods necessary to match them with related expenses incurred in accordance with terms of the respective grant agreements.

Grants related to assets

Grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet by setting up the grant as "Capital Grant". An amount equivalent to the depreciation for each year on such assets is credited to income and expenditure account in the same year in which the depreciation is charged.

2.14 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

		NOTE	2017 Rupees	2016 Rupees
3	**STAFF BENEFITS**			
	Medical facility	3.1	3,212,743	2,842,797
	Gratuity	3.2	29,912,200	22,929,040
	Employees' earned leaves	3.3	7,616,818	6,966,309
			40,741,761	32,738,146
3.1	**Medical facility**			
	Balance as on 01 July		2,842,797	2,395,442
	Charge for the year	20	2,747,665	2,355,708
	Benefits paid during the year		(2,377,719)	(1,908,353)
	Net liability as on 30 June		3,212,743	2,842,797

3.2 **Gratuity**

The latest actuarial valuation was carried out as at 30 June 2017, using the projected unit credit method. The amounts recognized in financial statements are determined as follows:

		NOTE	2017 Rupees	2016 Rupees
3.2.1	**Balance sheet obligation for gratuity**			
	Present value of unfunded defined benefit obligation		29,912,200	22,929,040
3.2.2	**Movement in liability recognized in the balance sheet**			
	At the beginning of the year		22,929,040	17,139,927
	Current service cost		3,238,870	2,731,183
	Interest cost for the year		2,051,985	1,785,885
	Charge to other comprehensive income		1,950,722	1,535,045
	Benefit paid during the year		(258,417)	(263,000)
	At the end of the year		29,912,200	22,929,040
3.2.3	**Amounts recognized in income and expenditure account**			
	Current service cost		3,238,870	2,731,183
	Interest cost for the year		2,051,985	1,785,885
			5,290,855	4,517,068
3.2.4	**Amount recognized in other comprehensive income**			
	Actuarial loss due to experience adjustments		1,950,722	1,535,045
3.2.5	**Changes in present value of defined benefit obligations**			
	Present value of defined benefit obligations		22,929,040	17,139,927
	Current service cost		3,238,870	2,731,183
	Interest cost for the year		2,051,985	1,785,885
	Benefits paid during the year		1,950,722	1,535,045
	Remeasurement due to experience adjustment		(258,417)	(263,000)
			29,912,200	22,929,040
3.2.6	**Allocation of charge for the year**			
	Salaries, allowances and benefits	20	5,290,855	4,517,068
3.2.7	**Principal actuarial assumptions used**			
	Discount rate		9.25%	9.00%
	Expected rate of increase in salary		8.25%	8.00%
	Expected mortality rate		SLIC (2001-05)	SLIC (2001-05)

3.2.8 **Experience adjustment on plan unfunded liabilities:**

2017	2016	2015	2014	2013
----------	----------	Rupees	----------	----------
1,950,722	1,535,045	(671,189)	-	-

		2017 Rupees	2016 Rupees
3.2.9	**Sensitivity analysis**		
	Discount Rate + 1 %	26,691,032	20,726,139
	Discount Rate - 1 %	34,155,804	26,604,011
	Salary growth rate + 1 %	34,177,824	26,621,853
	Salary growth rate - 1 %	26,533,950	20,603,659

3.2.10 The expected benefit payment for next financial year is Rupees 566,392.

3.2.11 **Risks associated with defined gratuity benefit plans**

Through its defined gratuity benefit plan, the PSEB is exposed to a number of risks, the most significant of which are detailed below:

- Discount rate risk

The risk of changes in discount rate, since discount rate is based on corporate / government bonds, any decrease in bond yields will increase plan liabilities.

- Salary increase / inflation risk

The risk that the actual salary increase are higher than the expected salary increase, where benefits are linked with final salary at the time of cessation of service, is likely to have an impact on liability.

- Mortality risk

The risk that the actual mortality experience is lighter than that of expected i.e. the actual life expectancy is longer than assumed.

- Withdrawal risk

The risk of actual withdrawals experience may different from that assumed in the calculation.

		NOTE	2017 Rupees	2016 Rupees
3.3	**Employees' earned leaves**			
	Balance as on 01 July		6,966,309	5,908,683
	Charge for the year	20	1,185,257	1,328,017
	Benefits paid during the year		(534,748)	(270,391)
	Net liability as on 30 June		7,616,818	6,966,309

			2017 Rupees	Restated 2016 Rupees
4	**DEFERRED GRANTS RELATED TO PROJECTS**			
	Balance as at 01 July		687,055,255	670,076,959
	Add:			
	Received during the year from:			
	Government of Pakistan	4.1	57,843,000	30,000,000
	National ICT R & D Fund		64,125,935	8,257,400
	Other Companies		19,374,475	-
			141,343,410	38,257,400
	Less:			
	Expenditure during the year	4.2 & 4.3	(92,193,417)	(18,493,653)
	Assets transferred to PSEB		-	(50,291)
	PSDP funds surrendered / lapsed		(17,545,138)	(2,735,160)
			(109,738,555)	(21,279,104)
	Balance as at 30 June		718,660,110	687,055,255

4.1 The Company as a part of its activities, initiates, executes and implements project(s) funded through Public Sector Development Programmes (PSDP) of the Government of Pakistan to achieve specific objectives laid down in the Planning Commission Document -1 (PC-1) of each project.

4.2 This represents the expenditure of 3 (2016: 4) projects executed and operated by Pakistan Software Export Board (Guarantee) Limited during the year.

4.3 Project wise break up of expenditure is as follows:

	2017				2016
	Enhancing of IT Exports Through Industry Support Program	Prime Minister ICT Internship Program	Purchase of Land from Civil Aviation Authority	Total	Total
	Rupees				
Consultancy - Capability Maturity Model Integration (CMMI) - ISO 27001/20000	41,423,245	-	-	41,423,245	-
Trainings - CMMI - ISO 27001/20000	3,613,672		-	3,613,672	-
Internship Cost	-	32,782,556	-	32,782,556	7,970,695
Salaries and benefits	830,000	1,327,952	-	2,157,952	-
Travelling	329,185	135,535	-	464,720	-
Advertisement	250,739	-	-	250,739	-
Utilities	-	24,000	-	24,000	5,000
Depreciation (Note 9.1)	17,666	1,658	11,240,090	11,259,414	8,430,067
Others	86,182	130,937	-	217,119	2,087,891
	46,550,689	34,402,638	11,240,090	92,193,417	18,493,653

5 DEFERRED GRANTS

	2017					2016
	Purpose / utilization of grants			Grants received in kind	Total	Total
	Capital	Revenue	Total			
		Note 5.1		Note 5.2		
	Rupees					
Balance as on 01 July	1,675,170	-	1,675,170	390,772,735	392,447,905	410,323,695
Grants received during the year	-	86,538,000	86,538,000	-	86,538,000	88,050,291
Grants amortized during the year	(207,622)	(86,538,000)	(86,745,622)	(17,318,764)	(104,064,386)	(105,926,081)
Balance as on 30 June	1,467,548	-	1,467,548	373,453,971	374,921,519	392,447,905

5.1 This represents grant received from Ministry of Information Technology for salaries, benefits of employees and other operating expenses.

5.2 Grants received in kind represent Public Sector Development Programme (PSDP) and other projects' assets acquired by Pakistan Software Export Board (Guarantee) Limited upon completion of the projects.

	NOTE	2017 Rupees	2016 Rupees
6 TRADE AND OTHER PAYABLES			
Security deposits		8,617,621	9,237,081
Accrued liabilities	6.1	12,132,308	11,007,996
		20,749,929	20,245,077
6.1 These include amounts due from following related parties:			
National Telecommunication Corporation		48,466	11,370
Public Procurement Regulatory Authority		18,000	-
Pakistan Telecommunication Authority (PTA)		258,548	253,929
Pakistan Telecommunication Company Limited		1,367,360	3,190,835
		1,692,374	3,456,134
7 PROVISION FOR TAXATION			
Opening balance		(2,110,780)	(1,780,359)
Add: Provision for the year	21	8,042,399	2,372,704
Less: Tax deducted at source		(4,287,811)	(2,703,125)
Closing balance		1,643,808	(2,110,780)

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingency

A case is filed by Mr. Rashid Shoaib disputing demarcation of a piece of land situated at Chak Shahzad possessed by the Company. The matter is pending adjudication before Civil Judge (East) Islamabad.

	2017 Rupees	2016 Rupees
8.2 Commitments	Nil	Nil

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9 PROPERTY & EQUIPMENT

	LEASE HOLD LAND	FURNITURE & FITTINGS	OFFICE & ELECTRIC EQUIPMENT	COMPUTER & RELATED EQUIPMENT	DATA NODE EQUIPMENT & INSTALLATION	VEHICLES	TOTAL
	Rupees						
As at 01 July 2015							
Cost	503,228,063	9,780,282	12,310,063	19,723,638	35,168,118	4,594,015	584,804,179
Accumulated depreciation	(105,495,258)	(6,478,552)	(4,984,685)	(17,246,158)	(26,982,514)	(4,158,786)	(165,345,953)
Net book value	**397,732,805**	**3,301,730**	**7,325,378**	**2,477,480**	**8,185,604**	**435,229**	**419,458,226**
Year ended 30 June 2016							
Opening net book value	397,732,805	3,301,730	7,325,378	2,477,480	8,185,604	435,229	419,458,226
Additions	-	214,570	1,881,835	988,946	204,813	-	3,290,164
Depreciation charge	(15,769,575)	(337,876)	(789,784)	(710,759)	(1,662,550)	(87,046)	(19,357,590)
Closing net book value	**381,963,230**	**3,178,424**	**8,417,429**	**2,755,667**	**6,727,867**	**348,183**	**403,390,800**
As at 30 June 206							
Cost	503,228,063	9,994,852	14,191,898	20,712,584	35,372,931	4,594,015	588,094,343
Accumulated depreciation	(121,264,833)	(6,816,428)	(5,774,469)	(17,956,917)	(28,645,064)	(4,245,832)	(184,703,543)
Net book value	**381,963,230**	**3,178,424**	**8,417,429**	**2,755,667**	**6,727,867**	**348,183**	**403,390,800**
Year ended 30 June 2017							
Opening net book value	381,963,230	3,178,424	8,417,429	2,755,667	6,727,867	348,183	403,390,800
Additions	-	51,658	556,470	796,105	586,176	-	1,990,409
Depreciation charge	(15,769,575)	(319,564)	(873,063)	(739,846)	(1,407,904)	(69,637)	(19,179,589)
Closing net book value	**366,193,655**	**2,910,518**	**8,100,836**	**2,811,926**	**5,906,139**	**278,546**	**386,201,620**
As at 30 June 2017							
Cost	503,228,063	10,046,510	14,748,368	21,508,689	35,959,107	4,594,015	590,084,752
Accumulated depreciation	(137,034,408)	(7,135,992)	(6,647,532)	(18,696,763)	(30,052,968)	(4,315,469)	(203,883,132)
Net book value	**366,193,655**	**2,910,518**	**8,100,836**	**2,811,926**	**5,906,139**	**278,546**	**386,201,620**
Depreciation rates per annum (%)	3.117% - 3.141%	10%	10%	25%	20%	20%	

	NOTE	2017 Rupees	2016 Rupees
9.1 **Breakup of depreciation for the year is as follows:**			
Depreciation related to assets purchased from Government grants	5	207,622	244,396
Depreciation related to other assets		1,653,203	1,431,509
		1,860,825	1,675,905
Depreciation related to assets transferred from PSDP and other projects	5	17,318,764	17,681,685
		19,179,589	19,357,590

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	NOTE	2017 Rupees	2016 Rupees
10 ASSETS RELATING TO PSDP AND OTHER PROJECTS' RESTRICTED FUNDS			
Operating fixed assets	10.1	317,976,986	328,772,630
Advance to Civil Aviation Authority against purchase of land	10.2	332,801,321	332,801,321
Capital work in progress - civil works		20,180,108	9,912,109
		670,958,415	671,486,060

10.1 OPERATING FIXED ASSETS

	LEASEHOLD LAND	COMPUTERS & RELATED EQUIPMENT	TOTAL
	----------	Rupees	----------
As at 01 July 2015			
Cost	-	72,600	72,600
Accumulated depreciation	-	(15,125)	(15,125)
Net book value	-	**57,475**	**57,475**
Year ended 30 June 2016			
Opening net book value		57,475	57,475
Additions	337,202,697	-	337,202,697
Transfers:			
Cost	-	(72,600)	(72,600)
Accumulated depreciation	-	15,125	15,125
	-	(57,475)	(57,475)
Depreciation charge (Note 4.3)	(8,430,067)	-	(8,430,067)
Closing net book value	**328,772,630**	-	**328,772,630**
As at 30 June 2016			
Cost	337,202,697	-	337,202,697
Accumulated depreciation	(8,430,067)	-	(8,430,067)
Net book value	**328,772,630**	-	**328,772,630**
Year ended 30 June 2017			
Opening net book value	328,772,630	-	328,772,630
Additions	-	463,770	463,770
Depreciation charge (Note 4.3)	(11,240,090)	(19,324)	(11,259,414)
Closing net book value	**317,532,540**	**444,446**	**317,976,986**
As at 30 June 2017			
Cost	337,202,697	463,770	337,666,467
Accumulated depreciation	(19,670,157)	(19,324)	(19,689,481)
Net book value	**317,532,540**	**444,446**	**317,976,986**
Depreciation rates per annum (%)	3.33	25	

10.2 This represents advance given to Civil Aviation Authority in the year 2008 - 2009 in respect of 6 acres land having purchase price of Rupees 646,305,171 situated at Allama Iqbal International Airport, Lahore for development of IT Parks. Transfer of ownership of the land in the name of Company is in process.

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	NOTE	2017 Rupees	2016 Rupees

11 DEFERRED TAXATION

This comprises of following:

	NOTE	2017 Rupees	2016 Rupees
Taxable temporary differences			
Accelerated tax depreciation		(1,305,134)	(1,422,199)
		(1,305,134)	(1,422,199)
Deductible temporary differences			
Provision for gratuity		4,608,109	269,722
Provision for medical facility		432,082	-
Provision for earned leaves		1,024,386	-
		6,064,577	269,722
		4,759,443	(1,152,477)

11.1 Movement in deferred tax balances is as follows:

	NOTE	2017 Rupees	2016 Rupees
At beginning of the year		(1,152,477)	(154,337)
Recognized in income and expenditure account:			
Accelerated tax depreciation on fixed assets		117,065	755,258
Provision for gratuity		3,753,170	-
Provision for medical facility		432,082	-
Provision for earned leave		1,024,386	-
Available tax losses		-	(2,244,612)
	21	5,326,703	(1,489,354)
Recognized in other comprehensive income:			
Remeasurement of defined benefit plan		585,217	491,214
		4,759,443	(1,152,477)

12 TRADE DEBTS - CONSIDERED GOOD

As on 30 June 2017, trade debts of Rupees 7,409,237 (2016: Rupees 8,077,687) were past due but not impaired. The age analysis of these trade debts is as follows:

	NOTE	2017 Rupees	2016 Rupees
Upto 1 month	12.1	7,092,610	7,942,405
More than 1 year		316,627	135,282
		7,409,237	8,077,687

12.1 These include amounts due from related parties:

	NOTE	2017 Rupees	2016 Rupees
Khyber Pakhtunkhwa IT Board		2,719,199	3,463,913
Engineering Development Board		61,332	-
		2,780,531	3,463,913

13 ADVANCES

	NOTE	2017 Rupees	2016 Rupees
Advances to employees - considered good			
- salaries and benefits		14,563,962	12,548,213
- expenses		75,001	67,566
		14,638,963	12,615,779

14 ASSETS RELATING TO PSDP AND OTHER PROJECTS' RESTRICTED FUNDS

	NOTE	2017 Rupees	2016 Rupees
Advances against project activities		30,342	15,259,840
Cash with banks in current accounts		47,671,353	309,356
		47,701,695	15,569,196

15 SHORT TERM INVESTMENT - Held to maturity

This represents investment in a Term Deposit Receipt (TDR) having face value of Rupees 25 million (2016: 25 million) placed with National Bank of Pakistan for a term of 180 days. This TDR carries mark - up at the rate of 5.65% (2016: 5.65%) percent per annum and is maturing on 15 July 2017.

	2017 Rupees	2016 Rupees
16 CASH AND BANK BALANCES		
Cash in hand	7,194	-
Cash at banks:		
- On current accounts	9,839	748
- On saving accounts	119,155,139	90,955,653
	119,164,978	90,956,401
	119,172,172	90,956,401

16.1 The balance in saving accounts include US $ Nil (2016: US $ 8,334).

16.2 These include funds of Rupees 9,653,865 (2016: Rupees 9,495,441) in Bank Alfalah Limited and Rupees 36,897,562 (2016: Rupees 27,885,400) in Habib Bank Limited, earmarked for Data Node Securities and employee benefits.

16.3 The balances in saving account carry interest ranging from 3.85% to 4.05% (2016: 3.95% to 4.15%).

17 REVENUE FROM BANDWIDTH AND RELATED SERVICES

17.1 This represents revenue against provision of bandwidth and related services to various parties with bandwidth slab ranging from 1 Mbps to 99 Mbps.

	2017 Rupees	2016 Rupees
17.2 This include revenue from following related parties:		
Khyber Pakhtunkhwa IT Board	8,127,555	11,130,061
Engineering Development Board	571,736	438,619
	8,699,291	11,568,680

18 REGISTRATION AND RENEWAL FEE

This represents registration and renewal fee from various I.T companies and call centers against regulatory and corporate facilitations.

	NOTE	2017 Rupees	2016 Rupees
19 OTHER INCOME			
Income from financial assets			
Profit on bank deposits		4,971,642	4,329,069
Income from non-financial assets			
Exhibition participation fee		2,790,000	2,981,000
Miscellaneous		181,952	4,545,852
		2,971,952	7,526,852
		7,943,594	11,855,921
20 SALARIES, ALLOWANCES AND BENEFITS			
Salaries		43,334,548	39,228,238
Allowances and other benefits		27,932,392	27,035,360
Medical facility	3.1	2,747,665	2,355,708
Gratuity	3.2.6	5,290,855	4,517,068
Employees' earned leaves	3.3	1,185,257	1,328,017
		80,490,717	74,464,391

	NOTE	2017 Rupees	2016 Rupees
21 TAXATION			
Current			
Current year	21.1	6,035,624	2,372,704
Prior year		2,006,775	-
	7	8,042,399	2,372,704
Deferred			
Current year	11.1	(5,326,703)	1,489,354
		2,715,696	3,862,058

21.1 Provision for current tax represents minimum tax on services rendered. Numeric tax reconcilliation has not been presented, being impracticable.

22 REMUNERATION OF CHIEF EXECUTIVE

The aggregate amount charged in the financial statements for the year in respect of remuneration and other benefits to the Chief Executive of the company are:

	2017 Rupees	2016 Rupees
Managerial remuneration	3,848,100	3,387,613
Allowances		
House rent allowance	1,212,000	1,212,000
Conveyance	1,150,920	1,150,920
Gratuity	320,516	272,145
Others	157,200	181,235
	6,688,736	6,203,913
Number of person	1	1

23 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of Government of Pakistan and key management personnel. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2017 Rupees	2016 Rupees
Pakistan Telecommunication Company Limited Services received	8,606,359	10,289,467
Pakistan Telecommunication Authority License fee paid	(253,929)	(200,039)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to bank balances. The Company's exposure to currency risk was as follows:

	2017	2016
Cash at bank - USD	-	8,334
Rupees per US Dollar		
Average rate	104.46	104.01
Reporting date rate	104.80	104.49

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on surplus after taxation for the year would have been Rupees Nil (2016: Rupees 43,541) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2017 Rupees	2016 Rupees
Fixed rate instruments		
Financial asset		
Short term investment	25,578,157	25,000,000
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	119,155,139	90,955,653

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through surplus or deficit. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rate at the year end date, fluctuates by 1% higher / lower with all other variables held constant, surplus after taxation for the year would have been Rupees 1,191,551 (2016 : Rupees 909,557) lower / higher, mainly as a result of higher / lower interest on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2017 Rupees	2016 Rupees
Short term investment	25,578,157	25,000,000
Long term security deposits	1,492,665	1,492,665
Trade debts	7,409,237	8,077,687
Advances	14,563,962	12,548,213
Assets relating to PSDP and other projects' restricted funds	47,671,353	309,356
Bank balances	119,164,978	90,956,401
	215,880,352	138,384,322

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2017	2016
	Short Term	Long term	Agency	Rupees	Rupees
Banks					
Bank Alfalah Limited	A1+	AA+	PACRA	21,472,156	18,451,268
Habib Bank Limited	A-1+	AAA	JCR-VIS	93,844,739	69,429,481
National Bank of Pakistan	A1+	AAA	PACRA	3,848,083	3,075,652
				119,164,978	90,956,401
Assets relating to PSDP and other projects' restricted funds					
Habib Bank Limited	A-1+	AAA	JCR-VIS	47,671,353	309,356
Short term investment					
National Bank of Pakistan	A1+	AAA	PACRA	25,578,157	25,000,000

Due to the company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and bank balances. At 30 June 2017, the Company had Rupees 119,155,139 bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2017:

	Carrying amount	Contractual cash flows	6 month or less
	Rupees		
Non-derivative financial liabilities :			
Trade and other payables	12,132,308	12,132,308	12,132,308

Contractual maturities of financial liabilities as at 30 June 2016:

	Carrying amount	Contractual cash flows	6 month or less
	Rupees		
Non-derivative financial liabilities :			
Trade and other payables	11,007,996	11,007,996	11,007,996

25 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classify its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

	2017	2016
26 NUMBER OF EMPLOYEES		
Number of employees as on 30 June	77	76
Average number of employees during the year	69	74

27 DISCLOSURES REQUIRED BY PTA

27.1 Number of subscribers at the end of each month

Broadband subscribers of the Company at end of each month ranges from 75 to 83 (2016: 71 to 75).

27.2 **Intercity leased bandwidth with identification of terminal points**

	2017	2016
	----- Mbps -----	
Lahore	202	202
Islamabad	198	198
Karachi	56	56
Peshawar	153	153

27.3 **Quality of service reports**

Quarterly quality of service reports have been submitted to PTA in the format prescribed in the license.

27.4 **Presentation of gross profit and operating profit**

Gross profit and operating profit has not been presented in the income and expenditure account keeping in view the receipts of grants and not-for-profit activities of the Company.

28 DATE OF AUTHORIZATION

These financial statements were authorised for issue on 16 MAY 2018 by the Board of Directors of the Company.

29 CORRESPONDING FIGURES

No significant reclassification / rearrangement of corresponding figures has been made in these financial statements.

30 GENERAL

Figures have been rounded to the nearest Rupee.

CHIEF EXECUTIVE **DIRECTOR**